

Message Text

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L/M/SCA:MALMBORG (SUBSTANCE)

S/S: SFRY

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE IMMEDIATE

C O N F I D E N T I A L STATE 034272

EXDIS

E.O. 11652: GDS

TAGS: PFOR, CS, OVIP

SUBJECT: ODUBER BRIEFING ON VESCO

REFERENCES: A) SAN JOSE 0493; B) SAN JOSE 0508

1. SUMMARY: PRESIDENT-ELECT ODUBER WAS BRIEFED BY U.S. OFFICIALS ON VESCO MATTER. DISCUSSION WAS CARRIED OUT IN DEPTH AND WITH CANDOR ON BOTH SIDES. IN DISCUSSION OF POSSIBLE FUTURE ACTION TO FREEZE VESCO ASSETS IN COSTA RICA, ODUBER INDICATED HE HAD BEEN CONSIDERING THIS INDEPENDENTLY. END SUMMARY.

2. BRIEFING TOOK PLACE TUESDAY, FEBRUARY 19, FROM 1:30 TO 3:30 IN KEY BISCAYNE APARTMENT OF JOSE GARMEN DIO WHERE ODUBER IS VACATIONING. BRIEFING WENT OFF QUITE SUCCESSFULLY WITH ODUBER OBVIOUSLY UNDERSTANDING BOTH SPOKEN AND IMPLIED POINTS. BRIEFING WAS LOW-KEY AND ATMOSPHERE WAS FRIENDLY. PARTICIPANTS WERE COMMISSIONER POLLACK AND MR. KUSHNER, SEC; MR- THOMAS EDWARDS, U.S. ATTORNEY'S OFFICE, DEPARTMENT OF JUSTICE; MR. KNUTE MALMBORG, STATE/L; AND LAZAR. ODUBER WAS NOT ACCOMPANIED.

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3. ODUBER OPENED THE MEETING BY GIVING A BRIEF DESCRIPTION OF COSTA RICA AND ITS PROSPECTS. HE STATED RESTORING CONFIDENCE IN GOVERNMENTAL HONESTY, WHICH HE SAID HAD BEEN BADLY SHAKEN BY ALLEGATIONS OF GRAFT, WAS TOP PRIORITY.

HE ALLUDED TO FIGUERES' INVESTMENTS WITH VESCO AND SAID

THAT, WHILE THERE PROBABLY WAS NOTHING DISHONEST ABOUT THIS AS FAR AS FIGUERES WAS CONCERNED, "IT WAS NOT A SMART THING" FOR THE PRESIDENT OF A COUNTRY TO HAVE DONE. HE ALSO MENTIONED THAT HE HAD TALKED TO PRESIDENT-ELECT PEREZ OF VENEZUELA ABOUT THE NEED FOR GREATER CONFIDENCE IN THE HONESTY OF GOVERNMENT AND THAT HE AND PEREZ BOTH AGREED ON THIS.

4. BRIEFING WAS IN TWO PARTS. FIRST PART WAS HISTORICAL BACKGROUND ON VESCO MATTER HANDLING BY SEC WITH SOME PARTICULAR ATTENTION TO VESCO'S "MODUS OPERANDI." THIS FORMED BULK OF BRIEFING AND WAS PRESENTED MAINLY BY POLLACK. AMONG KEY POINTS MADE WERE LIMITED AMOUNT OF U.S. INVESTORS' FUNDS INVOLVED, AND NEED FOR AND, INCREASINGLY, EXISTENCE OF INTERNATIONAL COOPERATION IN STOPPING INTERNATIONAL SWINDLERS. MENTIONED ESPECIALLY WAS NEED FOR COOPERATION IN FREEZING VESCO ASSETS WHEREVER FOUND. IT WAS POINTED OUT THAT COOPERATING IN THIS EFFORT NOW ARE GOVERNMENTS OF GERMANY, LUXEMBOURG, CANADA AND MOST RECENTLY THE NETHERLANDS ANTILLES. FURTHER POINT MADE THAT CANADIANS, WHO HAVE APPOINTED RECEIVERS FOR TWO OF THE FOUR DOLLAR FUNDS, ARE TAKING LEAD IN "CHASING ASSETS" WITH THE SEC, BY AGREEMENT, WORKING IN CLOSE COOPERATION WITH THEM. IT ALSO WAS POINTED OUT THAT ACTIONS THUS FAR HAVE BEEN CIVIL ACTIONS EXCEPT FOR SOME PERIPHERAL ACTIONS ALREADY MADE PUBLIC, BUT THAT CRIMINAL ACTIONS AGAINST VESCO ARE PENDING. ODUBER WELL REALIZED INTERNATIONAL RAMIFICATIONS OF THIS MATTER AND SAID THAT THE GERMANS (PRESUMABLY A GROUP KNOWN TO THE SEC, REPRESENTING GERMAN SHAREHOLDERS, WHO CONSTITUTE AS MUCH AS 70 PERCENT OF SHAREHOLDERS OF DOLLAR FUNDS) HAVE BEEN IN TOUCH WITH HIM IN COSTA RICA AND PROBABLY WILL BE TAKING ACTION THERE. IN THIS CONNECTION HE ALSO MENTIONED A VISIT HE HAD RECEIVED FROM AN EMISSARY OF WILLY BRANDT, WHO DESCRIBED THE CHANCELLOR AS QUOTE FURIOUS UNQUOTE AT CONFIDENTIAL

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FIGUERES FOR HIS PROTECTION OF VESCO.

5. SECOND PART OF BRIEFING ALSO WENT OVER PROSPECTIVE POSSIBILITIES OF INVOLVEMENT OF COSTA RICA AND/OR FIGUERES IN UPCOMING ACTIONS AGAINST VESCO OR PUBLICITY ARISING THEREFROM. ODUBER SEEMED PARTICULARLY GRATEFUL FOR THIS PRESENTATION. PRINCIPAL MATTERS RAISED WERE: A) USE OF PRESIDENT FIGUERES' NEW YORK BANK ACCOUNT AS A CONDUIT FOR VESCO FUNDS; B) PUBLICITY REGARDING FIGUERES' LETTER TO WHITE HOUSE OFFERING TO "MEDIATE" SETTLEMENT WITH VESCO AND SEC REPLY (AS EMBASSY AWARE THIS HAS BEEN ALLUDED TO IN NEWSPAPER ACCOUNTS HERE AND ODUBER WAS AWARE OF IT); C) PENDING NEGOTIATION OF NEW EXTRADITION TREATY;

D) POSSIBLE FURTHER ATTEMPTS AT VESCO EXTRADITION (ODUBER

WAS TOLD THAT THIS IS NOT BEING CONTEMPLATED AT THE
MOMENT BUT COULD NOT BE DISCOUNTED AS A FUTURE POSSIBILITY
E) POSSIBLE MOVE BY SEC OR CANADIAN RECEIVERS TO FREEZE
VESCO ASSETS IN COSTA RICA. ALSO MENTIONED WAS UPCOMING
SEC ACTION AGAINST MCALPIN.

6. WITH RESPECT TO POSSIBILITY OF FREEZING VESCO ASSETS,
ODUBER SHOWED GREAT INTEREST AND INDICATED THAT HE HIM-
SELF HAD BEEN THINKING ALONG THOSE LINES. (IN THIS
CONNECTION, IN ANSWER TO OUR QUESTION, HE ESTIMATED
VESCO'S HOLDINGS OF BONDS OF VARIOUS GOCR INSTITUTIONS
AT ABOUT \$10.0 MILLION. ALTHOUGH HE DIDN'T SAY SO IT
SEEMS LIKELY HIS THOUGHTS ON FREEZING ASSETS DERIVE FROM
THE BOND PROBLEM.) HE STATED THAT WHAT WAS MOST
IMPORTANT FOR U.S. IN THIS CONNECTION WAS HAVING A FIRST-
RATE COSTA RICAN LAWYER.

7. AT ONE POINT ODUBER MENTIONED THAT J. PAUL GETTY,
HOWARD HUGHES AND VARIOUS UNIDENTIFIED ARAB INVESTORS
WERE NOW LOOKING INTO INVESTMENT POSSIBILITIES IN COSTA
RICA. THIS FOLLOWED ON HIS DISCUSSION OF THE IMPACT OF
THE VESCO STORIES ON COSTA RICA'S INTERNATIONAL REPUTATION
AND IN CONTEXT IT WAS CLEAR THAT HE FELT THAT INVESTMENTS
FROM THE SOURCES NAMED WOULD NOT BE GOOD FOR COSTA RICA.
ODUBER ALSO MENTIONED HIS INTENTION TO TALK TO TORRIJOS
WITHIN THE NEXT COUPLE OF WEEKS AND TO WARN TORRIJOS OF
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INDICATIONS OF VESCO'S POSSIBLE INTEREST IN PANAMA AND
THE DANGERS ATTENDANT THERETO AS INDICATED BY THE COSTA
RICAN EXPERIENCE. RUSH

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